

Message Text

LIMITED OFFICIAL USE

PAGE 01 ROME 05757 291925Z

ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 ABF-01 FS-01 OMB-01 TRSE-00

L-03 SP-02 CIAE-00 INR-10 NSAE-00 CEA-01 FRB-03

COME-00 SS-15 NSC-05 /063 W

-----026372 291939Z /41

P 291710Z MAR 78

FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 1665

TREASURY DEPT WASHDC PRIORITY

LIMITED OFFICIAL USE ROME 5757

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: INTERBANK INTEREST RATES AND RUMORED REDUCTION IN
OFFICIAL DISCOUNT RATE

1. TRANSACTIONS IN ITALY'S INTERBANK MONEY MARKET
(THE ITALIAN "FED FUNDS" MARKET) FOR LONGER THAN 48
HOURS HAVE COME TO A VIRTUAL STANDSTILL. THE COST OF
LONGER-TERM MONEY NORMALLY QUOTED BY MILAN'S FINANCIAL
DAILY (IL SOLE-24 ORE) AND REPORTED BY REUTERS IS
NOT CURRENTLY PUBLISHED. (THE NINETY-DAY RATE HAS NOT
BEEN QUOTED SINCE FEBRUARY 2 AND THE THIRTY-DAY RATE
SINCE LAST WEEK.) THE BID-OFFER QUOTATIONS FOR
48-HOUR MONEY WERE 11.50-11.75 PERCENT, RESPECTIVELY,
ON MARCH 28, AN INCREASE OF 1 PERCENTAGE POINT SINCE
MARCH 9.

2. ACCORDING TO COMMERCIAL BANKERS, THERE ARE A NUMBER
OF REASONS FOR THE LACK OF ACTIVITY ON THE
INTERBANK MARKET. THE END-QUARTER TAX PAYMENTS (ON
INTEREST PAID ON DEPOSITS), MEETING RESERVE REQUIREMENTS,
AND, ACCORDING TO BANK OF ITALY SOURCE, LOWER-THAN-
EXPECTED TREASURY SPENDING DURING THE FIRST QUARTER

LIMITED OFFICIAL USE

PAGE 02 ROME 05757 291925Z

HAVE ALL TENDED TO REDUCE THE AVAILABILITY OF FUNDS
AND THE LEVEL OF INTERBANK ACTIVITY. HENCE INTEREST
RATES CURRENTLY QUOTED FOR TERM MONEY (WELL ABOVE 12
PERCENT, ACCORDING TO ONE BANKER) ARE NOT REALLY SIGNIFICANT
MARKET RATES. INSTEAD OF PUBLISHING SUCH RATES, PERHAPS
MISLEADINGLY HIGH, THE BROKER (EUROMOBILIARE), WHOSE
RATE IS NORMALLY QUOTED, IS NOT GIVING QUOTATIONS. ONE

BANKER SPECULATED THAT THE BROKER'S DECISION WAS INFLUENCED BY THE BANK OF ITALY WHICH DID NOT WANT TO GIVE THE IMPRESSION OF A LARGE JUMP IN INTEREST RATES DURING THIS PERIOD OF UNCERTAINTY.

3. ANOTHER FACTOR WHICH HAS APPARENTLY DAMPENED INTERBANK ACTIVITY IS A RUMORED REDUCTION IN THE DISCOUNT RATE. THE MARKET IS EXPECTED A 1.0 TO 1.5 PERCENTAGE REDUCTION, PERHAPS BY THIS WEEKEND. BANKERS CONTACTED BELIEVE THAT THE DISCOUNT RATE CUT WILL ACCOMPANY THE EXTENSION OF LIRA CREDIT CEILINGS WHICH EXPIRE AT THE END OF MARCH. SINCE CONFINDUSTRIA AND OTHERS HAVE CALLED FOR THE ELIMINATION OF THESE CEILINGS, THE BANK OF ITALY WILL REPORTEDLY USE THE CUT IN THE DISCOUNT RATE TO SIGNAL THAT THE EXTENSION OF THE CEILINGS DOES NOT NECESSARILY MEAN HIGHER INTEREST RATES. GARDNER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CENTRAL BANK, INTEREST RATES
Control Number: n/a
Copy: SINGLE
Draft Date: 29 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978ROME05757
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780136-0884
Format: TEL
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780313/aaaaakub.tel
Line Count: 79
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 17765ebb-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3169278
Secure: OPEN
Status: NATIVE
Subject: INTERBANK INTEREST RATES AND RUMORED REDUCTION IN OFFICIAL DISCOUNT RATE
TAGS: EFIN, IT
To: STATE TRSY
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/17765ebb-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014